

General Purpose Financial Statements
and Supplemental Information

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Marquette	County Marquette
Audit Date 12/31/03	Opinion Date 3/30/04	Date Accountant Report Submitted to State: 8/10/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

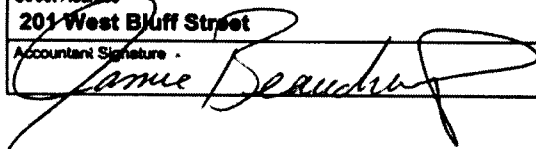
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1988, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:			Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.					✓
Reports on individual federal financial assistance programs (program audits).					✓
Single Audit Reports (ASLGU).					✓

Certified Public Accountant (Firm Name) Makela, Toutant, Hill & Nardi, P.C.			
Street Address 201 West Bluff Street	City Marquette	State MI	ZIP 49855
Accountant Signature 		Date 8/10/04	

General Purpose Financial Statements
and Supplemental Information

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

General Purpose Financial Statements

Independent Auditors' Report	1
Combined Balance Sheet--All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-- All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-- Budget and Actual--General and Special Revenue Funds.....	6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings-- All Proprietary Fund Types	8
Combined Statement of Changes in Equity--All Proprietary Fund Types	9
Combined Statement of Cash Flows--All Proprietary Fund Types	10
Notes to Financial Statements	11

Supplemental Information

General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance-- Budget and Actual	28
Special Revenue Funds:	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	34
Fire Fund--Statement of Revenues, Expenditures, and Changes in Fund Balance-- Budget and Actual	35
Enterprise Funds:	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings.....	39
Combining Statement of Changes in Equity	40
Combining Statement of Cash Flows	41
Wastewater Fund--Statement of Revenues, Expenses, and Changes in Retained Earnings--Budget and Actual	42
Water Fund--Statement of Revenues, Expenses, and Changes in Retained Earnings--Budget and Actual	45
Solid Waste Fund--Statement of Revenues, Expenses, and Changes in Retained Earnings--Budget and Actual	48
Agency Funds:	
Combining Balance Sheet	49
Details of Long-Term Debt.....	50
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	53



INDEPENDENT AUDITORS' REPORT

Township Board
Charter Township of Marquette
Marquette, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Marquette, (Township), Marquette, Michigan, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Marquette, Marquette, Michigan, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Township Board
Charter Township of Marquette

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Charter Township of Marquette, Marquette, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Markela, Putant, Hill & Nardi, P.C.

March 30, 2004

COMBINED BALANCE SHEET--ALL FUND TYPES AND ACCOUNT GROUPS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memo Only)	Component Unit	Total (Memo Only)
	General	Special Revenue	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Governmental	Reporting Entity
ASSETS									
Cash and cash equivalents	\$ 239,828	\$ 604,694	\$ 2,404,115	\$ 355,271			\$ 3,603,908	\$ 73,401	\$ 3,677,309
Receivables:									
Taxes	535,612	209,280					744,892	18,852	763,744
Special assessments			215,730				215,730		215,730
Trade accounts	44,847	27,700	66,388				138,935		138,935
Due from other funds	3,748						3,748		3,748
Prepaid expense	9,022	1,166	58,311				68,499		68,499
Land					\$ 926,658		926,658		926,658
Buildings and improvements			6,721,724		505,649		7,227,373		7,227,373
Machinery and equipment			5,761,016		445,705		6,206,721		6,206,721
Vehicles			115,246		659,978		775,224		775,224
Accumulated depreciation			(4,068,467)				(4,068,467)		(4,068,467)
Investment in wastewater treatment plant			212,199				212,199		212,199
Investment in landfill authority			113,612				113,612		113,612
Amount to be provided for the retirement of long-term debt						\$ 375,255	375,255		375,255
Amount to be provided for accumulated vacation and sick leave						23,407	23,407		23,407
TOTAL ASSETS	\$ 833,057	\$ 842,840	\$ 11,599,874	\$ 355,271	\$ 2,537,990	\$ 398,662	\$ 16,567,694	\$ 92,253	\$ 16,659,947

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memo Only)	Component Unit	Total (Memo Only)
	General	Special Revenue	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Governmental	Reporting Entity
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Accounts payable	\$ 36,380	\$ 31,268	\$ 84,502				\$ 152,150	\$ 10,633	\$ 162,783
Deposits payable	14,000		52,254				66,254		66,254
Due to other funds				\$ 3,748			3,748		3,748
Due to other governmental units				345,359			345,359		345,359
Accrued payroll expense	10,009	2,872	7,009				19,890		19,890
Accrued sick and vacation			22,354			\$ 23,407	45,761		45,761
Interest payable			5,889				5,889		5,889
Deferred revenue	693,511	279,586					973,097		973,097
Other liabilities				6,164			6,164		6,164
Bonds payable:									
Current			166,990			56,666	223,656		223,656
Long-term			947,361			318,589	1,265,950		1,265,950
TOTAL LIABILITIES	753,900	313,726	1,286,359	355,271	\$ 0	398,662	3,107,918	10,633	3,118,551
FUND EQUITY									
Contributed capital			8,126,811				8,126,811		8,126,811
Retained earnings:									
Designated			98,020				98,020		98,020
Undesignated			2,088,684				2,088,684		2,088,684
Fund balances:									
Designated		188,802					188,802		188,802
Undesignated	79,157	340,312					419,469	81,620	501,089
Investment in fixed assets					2,537,990		2,537,990		2,537,990
TOTAL FUND EQUITY	79,157	529,114	10,313,515	0	2,537,990	0	13,459,776	81,620	13,541,396
TOTAL LIABILITIES AND FUND EQUITY	\$ 833,057	\$ 842,840	\$ 11,599,874	\$ 355,271	\$ 2,537,990	\$ 398,662	\$ 16,567,694	\$ 92,253	\$ 16,659,947

The accompanying notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--
ALL GOVERNMENTAL FUND TYPES

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Governmental Fund Types		Total (Memo Only)	Component Unit	Total (Memo Only)
	General	Special Revenue	Primary Government	Governmental	Reporting Entity
REVENUES					
Taxes	\$ 535,827	\$ 267,874	\$ 803,701	\$ 363,810	\$ 1,167,511
Federal Grants		75,760	75,760		75,760
Licenses, permits, and fees	2,838	4,689	7,527		7,527
State revenue sharing	263,967		263,967		263,967
Charges for services	1,471	12,512	13,983		13,983
Interest income	5,451	10,725	16,176	780	16,956
Other	618,007	1,000	619,007		619,007
TOTAL REVENUES	1,427,561	372,560	1,800,121	364,590	2,164,711
EXPENDITURES					
Current:					
Legislative	70,716		70,716		70,716
General government	439,476	15,547	455,023	12,652	467,675
Public safety	230,520	149,319	379,839		379,839
Public works	12,402		12,402	9,544	21,946
Recreation	93,063		93,063		93,063
Capital outlay	616,312	118,901	735,213		735,213
Debt service:					
Principal	40,098		40,098	484,702	524,800
Interest	22,351		22,351	12,764	35,115
TOTAL EXPENDITURES	1,524,938	283,767	1,808,705	519,662	2,328,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(97,377)	88,793	(8,584)	(155,072)	(163,656)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	72,208	41,715	113,923		113,923
Operating transfers out	(41,715)	(8,688)	(50,403)	(6,520)	(56,923)
Fire protection--outgoing		(20,000)	(20,000)		(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	30,493	13,027	43,520	(6,520)	37,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(66,884)	101,820	34,936	(161,592)	(126,656)
Fund balance at beginning of year	146,041	427,294	573,335	243,212	816,547
FUND BALANCE AT END OF YEAR	\$ 79,157	\$ 529,114	\$ 608,271	\$ 81,620	\$ 689,891

The accompanying notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--
BUDGET AND ACTUAL--
GENERAL AND SPECIAL REVENUE FUNDS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	General			Special Revenue			Totals (Memo Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ 533,488	\$ 535,827	\$ 2,339	\$ 265,379	\$ 267,874	\$ 2,495	\$ 798,867	\$ 803,701	\$ 4,834
Federal Grants				96,272	75,760	(20,512)	96,272	75,760	(20,512)
Licenses, permits, and fees	2,900	2,838	(62)	4,688	4,689	1	7,588	7,527	(61)
State sources	267,261	263,967	(3,294)				267,261	263,967	(3,294)
Charges for services	1,520	1,471	(49)	5,440	12,512	7,072	6,960	13,983	7,023
Interest income	6,200	5,451	(749)	10,385	10,725	340	16,585	16,176	(409)
Other	26,435	618,007	591,572	250	1,000	750	26,685	619,007	592,322
TOTAL REVENUES	837,804	1,427,561	589,757	382,414	372,560	(9,854)	1,220,218	1,800,121	579,903
EXPENDITURES									
Current:									
Legislative	70,744	70,716	28				70,744	70,716	28
General government	439,880	439,476	404	15,938	15,547	391	455,818	455,023	795
Public safety	230,565	230,520	45	168,662	149,319	19,343	399,227	379,839	19,388
Public works	13,250	12,402	848	21,600		21,600	34,850	12,402	22,448
Recreation	93,506	93,063	443				93,506	93,063	443
Capital outlay	29,998	616,312	(586,314)	148,672	118,901	29,771	178,670	735,213	(556,543)
Debt service:									
Principal	40,098	40,098					40,098	40,098	
Interest	22,351	22,351					22,351	22,351	
TOTAL EXPENDITURES	940,392	1,524,938	(584,546)	354,872	283,767	71,105	1,295,264	1,808,705	(513,441)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(102,588)	(97,377)	5,211	27,542	88,793	61,251	(75,046)	(8,584)	66,462

	General			Special Revenue			Totals (Memo Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
OTHER FINANCING SOURCES (USES)									
Operating transfers in	\$ 72,208	\$ 72,208		\$ 41,715	\$ 41,715		\$ 113,923	\$ 113,923	
Operating transfers out	(41,715)	(41,715)		(8,688)	(8,688)		(50,403)	(50,403)	
Fire protection--outgoing				(20,000)	(20,000)		(20,000)	(20,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,493</u>	<u>30,493</u>	<u>\$ 0</u>	<u>13,027</u>	<u>13,027</u>	<u>\$ 0</u>	<u>43,520</u>	<u>43,520</u>	<u>\$ 0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(72,095)	(66,884)	5,211	40,569	101,820	61,251	(31,526)	34,936	66,462
Fund balance at beginning of year	<u>146,041</u>	<u>146,041</u>		<u>427,294</u>	<u>427,294</u>		<u>573,335</u>	<u>573,335</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 73,946</u>	<u>\$ 79,157</u>	<u>\$ 5,211</u>	<u>\$ 467,863</u>	<u>\$ 529,114</u>	<u>\$ 61,251</u>	<u>\$ 541,809</u>	<u>\$ 608,271</u>	<u>\$ 66,462</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS--
ALL PROPRIETARY FUND TYPES

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Enterprise Funds
OPERATING REVENUES	
Charges for services	\$ 1,164,434
Licenses, permits, and fees	146,502
Fines	3,695
Other	149,553
TOTAL OPERATING REVENUES	<u>1,464,184</u>
OPERATING EXPENSES	
Salaries and wages	232,975
Employee benefits and payroll taxes	125,168
Supplies	11,986
Professional services	143,354
Travel	4,321
Community promotion	20,730
Other services	571,232
Depreciation	319,549
Amortization	8,297
TOTAL OPERATING EXPENSES	<u>1,437,612</u>
	OPERATING LOSS <u>26,572</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	62,975
Interest and fiscal charges	(75,414)
Loss on investment in Marquette	
Area Wastewater Treatment Plant	(41,873)
Operating transfers out	(57,000)
Fire protection charges	20,000
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(91,312)</u>
	NET LOSS <u>(64,740)</u>
Retained earnings at beginning of year	1,994,379
Amortization of contributed capital	257,065
RETAINED EARNINGS AT END OF YEAR	<u><u>\$ 2,186,704</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF CHANGES IN EQUITY--
ALL PROPRIETARY FUND TYPES

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Enterprise Funds
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENTS	
Balance at beginning of year	\$ 2,534,249
Amortization of contributed capital	<u>(109,626)</u>
BALANCE AT END OF YEAR	<u><u>\$ 2,424,623</u></u>
CONTRIBUTIONS FROM CUSTOMERS	
Balance at beginning of year	\$ 2,402,610
Amortization of contributed capital	<u>(57,227)</u>
BALANCE AT END OF YEAR	<u><u>\$ 2,345,383</u></u>
CONTRIBUTIONS FROM FEDERAL AND STATE GOVERNMENTS--	
WASTEWATER TREATMENT PLANT	
Balance at beginning of year	\$ 42,433
Amortization of contributed capital	<u>(28,637)</u>
BALANCE AT END OF YEAR	<u><u>\$ 13,796</u></u>
CONTRIBUTIONS FROM DDA	
Balance at beginning of year	\$ 2,614,363
Current year additions	790,220
Amortization of contributed capital	<u>(61,574)</u>
BALANCE AT END OF YEAR	<u><u>\$ 3,343,009</u></u>
UNRESERVED RETAINED EARNINGS	
Balance at beginning of year	\$ 1,994,379
Net loss for the year	(64,740)
Depreciation on fixed assets acquired with grants	<u>257,065</u>
BALANCE AT END OF YEAR	<u><u>\$ 2,186,704</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF CASH FLOWS--
ALL PROPRIETARY FUND TYPES

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	<u>Enterprise Funds</u>
CASH FLOWS FROM (USED BY)	
OPERATING ACTIVITIES	
Net cash received from fees and charges for services	\$ 1,202,958
Other operating revenues	298,616
Cash payments to employees for services	(359,554)
Cash payments to suppliers for goods and services	(761,841)
NET CASH FROM OPERATING ACTIVITIES	<u>380,179</u>
NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers	(57,000)
Fire protection charges	20,000
Payments on note receivable from component unit	225,114
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	<u>188,114</u>
CAPITAL-RELATED FINANCING	
Increase in investment in wastewater treatment facility	(28,000)
Acquisition of capital assets	(63,751)
Principal payments on long-term debt	(151,547)
Interest and fiscal payments on long-term debt	(75,414)
NET CASH USED BY CAPITAL-RELATED FINANCING	<u>(318,712)</u>
INVESTING ACTIVITIES--Interest income	<u>62,975</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>312,556</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,091,559</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,404,115</u></u>
RECONCILIATION OF OPERATING LOSS TO NET	
CASH FROM (USED BY) OPERATING ACTIVITIES	
Operating revenue	\$ 26,582
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	327,836
Changes in assets and liabilities:	
Decrease in trade accounts receivable	36,813
Increase in prepaid expenses	(30,394)
Decrease in due from other funds	577
Increase in accounts payable	25,090
Increase in security deposits payable	930
Decrease in accrued wages and related benefits	(7,255)
TOTAL ADJUSTMENTS	<u>353,597</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 380,179</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2003

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Marquette, (Township), Marquette, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies of the Township:

REPORTING ENTITY

The Township was organized in 1871 and became a Charter Township in 1986. The Township operates under an elected Board of seven members and provides services to its residents including public safety, utility services, community enrichment, and development. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Marquette, Marquette, Michigan, (the primary government), and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its operational and financial relationships with the Township.

Component Unit: In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Downtown Development Authority (DDA) have been included in the financial reporting entity as a discretely presented component unit. Board members of the DDA are appointed by the Township Supervisor and approved by the Township Board. The Township is neither able to reject or modify major projects nor able to remove DDA Board members at its discretion. The criteria for blending are not met since the DDA does not provide services entirely or almost entirely to the Township. In addition, the DDA Board and the Township Board are not substantively the same.

Certain other governmental organizations are not considered to be component units of the Township Entity for financial reporting purposes. The criteria established by Governmental Accounting Standards Board Statement No. 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Township has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures/expenses. The individual funds account for the resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The various funds and account groups are grouped in the financial statements in this report using the following fund types and account groups:

Governmental Funds

General Fund--The General Fund is the general operating fund; and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds--Special revenue funds are used to account for the allocation of revenue sources to expenditures for specific purposes. The Special Revenue Funds of the Township include the Fire Fund, the Liquor Law Enforcement Fund, and the Township Improvement Fund.

Proprietary Funds

Enterprise Funds--Enterprise funds report operations that provide services that are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes. The Enterprise Funds of the Township include the Water Fund, the Wastewater Fund, and the Solid Waste Fund.

Fiduciary Funds

Agency Funds--Agency funds are used to account for assets held as an agent for other entities. The Agency Funds of the Township include the Current Tax Collection Fund and the Agency Fund.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Account Groups

General Fixed Assets Account Group--This account group presents the fixed assets of the local unit utilized in its general operations that are not included in proprietary funds.

General Long-Term Debt Account Group--This account group presents the balances of long-term debt that are not recorded in proprietary funds or the component unit.

BASIS OF ACCOUNTING

The Township's governmental and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. The Township considers revenues available to finance expenditures of the current period if they are received within sixty days of year-end. Expenditures are generally recognized when they have used or are expected to use current expendable financial resources, except principal and interest on general long-term debt, which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, if measurable.

BUDGETS AND BUDGETARY ACCOUNTING

The Township adopts annual budgets for its General and Special Revenue Funds that can be amended by the Township Board throughout the year. Formal budgetary accounting is employed as a management control for all of its other funds. For each of the funds to which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on a basis consistent with accounting principles generally accepted in the United States of America. The budgeted financial statements in this report reflect the final budget authorizations, including amendments. All unexpended appropriations lapse at the fiscal year end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

For purposes of the statement of cash flows, cash equivalents include cash on hand, cash in checking, time deposits, certificates of deposit, money market funds, and highly liquid debt instruments with maturity of three months or less at the date of their acquisition.

RECEIVABLES

Revenues earned but not yet received are recorded as receivables on the Township's balance sheet. A provision for doubtful accounts is not necessary since all significant amounts have been collected subsequent to the balance sheet date.

FIXED ASSETS

Fixed assets used in governmental fund operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general government operations is recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary fund's balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

AMORTIZATION OF CAPITAL GRANTS

The Water and Wastewater Fund have adopted the reporting prescribed by the National Council on Governmental Accounting (NCGA) Statement No. 2, "Grant Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments." The statement requires that the depreciation of fixed assets purchased with restricted grant funds or shared revenue be closed directly to the contributed capital account that was created when the restricted grant or shared revenue was received.

COMPENSATED ABSENCES

Township employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

DUE TO/FROM OTHER FUNDS

The Township has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded. These interfund receivables and payables do not represent permanent or Board-approved loans between funds.

LONG-TERM DEBT

All long-term obligations of the Township are reported in the General Long-Term Debt Account Group except for bonds, notes, and capital lease payables that are recognized in the appropriate Enterprise Fund.

PROPERTY TAXES

The Township collects property taxes that are levied on December 1, based on the taxable value of property. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" to finance current expenditures.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America; neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE B--CASH AND CASH EQUIVALENTS

The Township's cash and cash equivalents at December 31, 2003, are as follows:

	Primary Government	Component Units	Reporting Entity
Cash and cash equivalents	\$ 3,602,959	\$ 73,401	\$ 3,676,360
Cash with paying agent	949		949
	<u>\$ 3,603,908</u>	<u>\$ 73,401</u>	<u>\$ 3,677,309</u>
	Primary Government	Component Units	Reporting Entity
Cash on hand	\$ 300		\$ 300
Demand deposits	73,460	\$ 50,000	123,460
Savings	815,565		815,565
Money market funds	1,130,634	23,401	1,154,035
Time deposits	1,583,000		1,583,000
Cash with paying agent	949		949
	<u>\$ 3,603,908</u>	<u>\$ 73,401</u>	<u>\$ 3,677,309</u>

The total deposits of the Reporting Entity held in financial institutions at December 31, 2003, are \$3,826,082 of which, approximately \$1,983,000 is insured by the Federal Deposit Insurance Corporation (FDIC) under Regulation 330.8. The remaining balance of \$1,843,082 is uninsured and uncollateralized. This regulation, in summary, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 for both demand deposits and time deposits for every financial institution that is a member of the FDIC.

Statutory Authority

Act 196, PA 1997, authorizes the Authority to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE B--CASH AND CASH EQUIVALENTS--Continued

3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers' acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township's cash management is in accordance with statutory authority.

NOTE C--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at December 31, 2003, are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 3,748	Tax Collection	\$ 3,034
		Agency	714
TOTAL PRIMARY GOVERNMENT	<u>3,748</u>	TOTAL PRIMARY GOVERNMENT	<u>3,748</u>
TOTAL COMPONENT UNITS	<u>0</u>	TOTAL COMPONENT UNITS	<u>0</u>
TOTAL REPORTING ENTITY	<u><u>\$ 3,748</u></u>	TOTAL REPORTING ENTITY	<u><u>\$ 3,748</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE D--FIXED ASSETS

A summary of the activity in the general fixed asset account group for the year ended December 31, 2003, is as follows:

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
Land	\$ 248,758	\$ 588,000		\$ 836,758
Land improvements	51,382	38,519		89,901
Building and improvements	497,631	8,017		505,648
Plant equipment	156,845	4,136		160,981
Office equipment	158,922	114,042		272,964
Leased equipment	11,760			11,760
Vehicles	659,978			659,978
	<u>\$ 1,785,276</u>	<u>\$ 752,714</u>	<u>\$ 0</u>	<u>\$ 2,537,990</u>

Proprietary fund property, plant, and equipment are recorded at historical cost or estimated cost if the actual historical cost is not available. A summary of depreciable assets in Proprietary Funds as of December 31, 2003, is as follows:

	Waste Water Fund	Water Fund	Solid Waste Fund	Depreciable Life--Years
Pumping plant		\$ 691,752		30-50
Transmission and distribution		3,624,289		10-50
Sewage collection system	\$ 7,663,310			10-50
General plant	214,976	402,572	\$ 1,086	5-40
	<u>7,878,286</u>	<u>4,718,613</u>	<u>1,086</u>	
Less accumulated depreciation	<u>(2,356,588)</u>	<u>(1,710,793)</u>	<u>(1,086)</u>	
NET CARRYING AMOUNT	<u>\$ 5,521,698</u>	<u>\$ 3,007,820</u>	<u>\$ 0</u>	

NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT

On July 1, 1993, an amendment to the Marquette County Wastewater Disposal System contract changed the ownership of the three municipalities involved. The Charter Township of Marquette paid to the City of Marquette and to the Charter Township of Chocolay the sum of

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT--Continued

\$54,743, for an allocation of an additional 4.5% of the capacity of the Facility. They also assumed an additional 4.5 percent of future bonded debt payments of the Facility. The new ownership percentages for the City of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette after the amendment are 77.55 percent, 12.45 percent, and 10.00 percent, respectively. In a separate agreement between the Charter Township of Marquette and the Township's Downtown Development Authority (DDA), the DDA assumed financial responsibility for this increased capacity and bonded debt through payment of the \$54,743 to each party plus 45 percent of the bonded debt payments. Accordingly, each year, the DDA makes transfers to the Township to cover their share of the bonded debt.

The Facility has a separate advisory board made up of three representatives from the City of Marquette, one from Chocolay Township, and one from the Charter Township of Marquette. The advisory board and the governing board of the City of Marquette approve the budget for the Facility. The usage rate for the governmental units are set by the Facility's board. The fiscal year of the Facility ends June 30, and a separate audit report of the Facility for the fiscal year ended June 30, 2003, has been issued.

A summary of financial information of the Facility for the year ended June 30, 2003, is as follows:

Assets	\$ 6,222,774
Liabilities	\$ 393,650
Fund Equity	\$ 5,829,124
Total Operating Revenues	\$ 1,227,581
Total Operating Expenses	\$ 1,656,884
Operating Loss	\$ (429,303)
Net Loss	\$ 418,727
Township's Share of Net Loss	\$ 41,873

The Township's share of the Facility's equity at June 30, 2003, increased by contributions to the Facility since that date, is recorded as an asset on the Township's financial statements. The municipalities are charged for their usage of the system in amounts equal to the annual operating expenses, excluding depreciation. The Township's share of the Facility's assets, liabilities, equity, and changes in equity is equal to its ownership percentage.

The construction of the Facility was partially financed through bonds issued by Marquette County for which the full faith and credit of the three municipalities have been pledged. The Charter Township of Marquette's portion of that debt, \$67,837 at December 31, 2003, is carried in the general long-term debt group of accounts.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE F--INVESTMENT IN SOLID WASTE AUTHORITY

During 1988, the Township joined the Marquette County Solid Waste Management Authority (Authority). The Township paid an initial fee of \$102,623 and agreed to repay a proportional share of the 1988 bond issue of \$2,675,000 of the Authority. On July 13, 1993, the Authority refunded the Series 1988 bonds by issuing \$2,195,000 in Local Government Loan Refunding Revenue Bonds, Series 1993B. The Township's proportional share was adjusted in 2002 based upon the population changes of the 2000 census.

A summary of financial information from the separate audited financial statements of the Authority as of and for the year ended June 30, 2003, is as follows:

Total Assets	\$ 12,216,894
Total Liabilities	\$ 2,302,341
Total Equity	\$ 9,914,553
Total Operating Revenues	\$ 2,557,446
Total Operating Expenses	\$ 1,841,275
Net Income	\$ 925,429
Total Long-term Debt	\$ 1,937,555

The Township accounts for its investment in the Authority by the cost method. The total outstanding debt is payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE G--LONG-TERM DEBT

A summary of the activity in long-term debt for the year ended December 31, 2003, follows:

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
PRIMARY GOVERNMENT				
General Long-Term Debt				
Account Group:				
Refunding Bonds--Unlimited Tax, Series 1998	\$ 80,636		\$ 12,799	\$ 67,837
Compensated absences	13,681	\$ 9,726		23,407
Badger Creek Drain Bonds	347,517		40,099	307,418
	<u>441,834</u>	<u>9,726</u>	<u>52,898</u>	<u>398,662</u>
Proprietary Fund Types:				
Capital Lease Obligations:				
Refunding Bonds--Unlimited Tax, Series 1998	50,097		7,952	42,145
Refunding Bonds--Limited Tax, Series 1998A	1,338,281		157,555	1,180,726
Solid Waste Authority bonds	56,909		6,173	50,736
	<u>1,445,287</u>	<u>0</u>	<u>171,680</u>	<u>1,273,607</u>
TOTAL PRIMARY GOVERNMENT	<u>1,887,121</u>	<u>9,726</u>	<u>224,578</u>	<u>1,672,269</u>
COMPONENT UNIT				
Note payable to primary government	225,114		225,114	0
TOTAL COMPONENT UNIT	<u>225,114</u>	<u>0</u>	<u>225,114</u>	<u>0</u>
TOTAL REPORTING ENTITY	<u>\$ 2,112,235</u>	<u>\$ 9,726</u>	<u>\$ 449,692</u>	<u>\$ 1,672,269</u>

The Township was a participant in two separate bond refunding series conducted by Marquette County. The new bonds were used to retire various bond series issued by the County on behalf of local municipalities. The total savings resulting from lower interest rates of each bond refunding series was allocated between the various municipalities involved based on a ratio of debt outstanding to total refunded debt. As a result, the Township recognized a deferred loss of \$239,784 in its Wastewater Fund. The deferred losses are amortized to interest expense on a straight-line basis over the life of the bonds. As of December 31, 2003, the remaining deferred loss of \$159,257 is netted against debt obligations to arrive at the debt listed on the combined balance sheet.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE G--LONG-TERM DEBT--Continued

The annual principal and interest requirements for the years ending December 31, 2004 through December 31, 2013, are as follows:

	2004	2005	2006	2007	2008	2009-2013
General Long-Term Debt	\$ 56,666	\$ 60,434	\$ 63,776	\$ 67,117	\$ 70,458	\$ 56,805
Proprietary Fund Debt	166,990	181,226	179,530	177,622	173,661	394,578
TOTAL PRINCIPAL	223,656	241,660	243,306	244,739	244,119	451,383
TOTAL INTEREST	70,357	71,095	58,137	44,974	31,658	25,762
TOTAL DEBT REQUIREMENTS	<u>\$ 294,013</u>	<u>\$ 312,755</u>	<u>\$ 301,443</u>	<u>\$ 289,713</u>	<u>\$ 275,777</u>	<u>\$ 477,145</u>

NOTE H--CAPITALIZED LEASE OBLIGATIONS

The Township has a lease agreement with Marquette County as a result of the construction of a sewer interceptor. The sewer interceptor was constructed in conjunction with the construction of the Marquette Area Wastewater Treatment Facility and was financed by the overall bond issue that financed the construction of the Facility. The Township's portion of the leased assets comprises approximately 5.2 percent of the total project cost and bond issue. The lease has been capitalized for financial statement purposes. The Township's portion of the lease obligation corresponds to approximately 5.2 percent of the principal and interest payments required to retire the original \$2,500,000 bond issue used to construct the Marquette Area Wastewater Treatment Facility.

Under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, the Township and Marquette County also entered into a contractual agreement for construction of the Trowbridge Park Sewer System (Marquette County Sewage Disposal System No. 1). The project was financed by an EPA grant in the amount of \$3.10 million awarded to the Township and \$2.35 million in general obligation bonds issued through the County of Marquette. Since construction took place within Marquette Township, the Township carries the constructed assets on its books and has recognized a liability for the bond obligation. The Township has pledged its full faith and credit to pay its contractual obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE H--CAPITALIZED LEASE OBLIGATIONS--Continued

The County acquired the system and leased it to the Township, commencing with the completion of the project. The Township pays all costs of operating, maintaining, and administering the system.

Future minimum lease payments on the two capital lease obligations are payable as follows:

	Sewer Inceptor	Sewer System	Total
2004	\$ 10,037	\$ 194,694	\$ 204,731
2005	9,950	213,097	223,047
2006	9,584	202,473	212,057
2007	9,219	191,908	201,127
2008	8,856	179,253	188,109
2009-2013		407,404	407,404
	<u>\$ 47,646</u>	<u>\$ 1,388,829</u>	<u>\$ 1,436,475</u>

NOTE I--DRAINAGE DISTRICT

The Marquette County Drain Commission established a drainage district that contains a portion of Marquette Township. Accordingly, the Township is responsible for a portion of improvement costs.

The Township's portion of the expense is approximately \$754,689, which included a \$200,000 payment made by the Township at the beginning of the project with the remaining amount payable as part of the 15-year Badger Creek Drain Bonds issued in 1995. The Township's debt as of December 31, 2003, is \$307,418 and is carried in the Township's general long-term debt group of accounts.

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE J--DESIGNATED FUND BALANCE AND RETAINED EARNINGS

The Water Fund has designated retained earnings of \$98,020 to cover future water system expansion projects.

The Township Improvement Fund has designated fund balance of \$188,802 for future improvements to Township roads, buildings, and recreational facilities.

NOTE K--PROPERTY TAXES

Property taxes are levied on taxable values of property located in the Township. Assessed values are established annually (the first Monday in March) and equalized by the State at an estimated 50 percent of current market value. Taxable values are also established annually (the first Monday in March). Taxable values are based on equalized values, but there are certain limitations on taxable values. Taxable values for each parcel of property cannot increase each year by more than the increase in the general price level of the preceding year or 5 percent, whichever is less, until ownership of the parcel is transferred. The property taxes are levied on December 1, and are payable without penalty through the following February 14. Property taxes are recognized as revenue in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The property taxes levied on December 1, are recorded as revenue in the following year because they are expected to finance expenditures of the following year.

The Township collects its own property taxes and also collects property taxes of the State of Michigan, County of Marquette, intermediate school district, and local school district within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Tax Collection Fund.

NOTE L--PENSION PLANS

The Township adopted a money purchase plan in accordance with IRS Code Section 401(a) for all of their full-time employees. The Township is required to contribute 6 percent of each participant's salary to the plan. Employees may make contributions, but no employee contributions are required. Employer contributions are 100 percent vested immediately. Employer contributions for the 401(a) plan administered by ICMA Retirement Corporation for the year ended December 31, 2003, were \$33,627. The Township also participates in a deferred compensation plan created in accordance with IRS Code Section 457. The Township does not make any contributions to the plan. Voluntary contributions made by qualified participants for the two plans administered by ICMA Retirement Corporation totaled \$6,138 for the year ended December 31, 2003.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE L--PENSION PLANS--Continued

The Township also adopted a medical/dependent care plan in accordance with IRS Code Section 125. The Township does not make any contributions to the plan; however, voluntary contributions made by qualified participants to the plan administered by American Family Life Assurance Company totaled \$969 for the year ended December 31, 2003.

NOTE M--INTERFUND TRANSFERS IN AND OUT

Operating transfers between the Township's funds for the year ending December 31, 2003, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 65,688	General	\$ 41,715
Township improvement	41,715	Liquor	4,688
		Solid Waste	11,000
		Wastewater	23,000
		Water	23,000
		Fire	4,000
TOTAL PRIMARY GOVERNMENT	<u>107,403</u>	TOTAL PRIMARY GOVERNMENT	<u>107,403</u>
COMPONENT UNIT		COMPONENT UNIT	
General	6,520	DDA	6,520
TOTAL COMPONENT UNIT	<u>6,520</u>	TOTAL COMPONENT UNIT	<u>6,520</u>
TOTAL REPORTING ENTITY	<u>\$ 113,923</u>	TOTAL REPORTING ENTITY	<u>\$ 113,923</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE N--SEGMENT INFORMATION

The Township maintains three Enterprise Funds that provide water and sewer services and garbage collection to Township residents. Segment information for the year ended December 31, 2003, is as follows:

	Waste Water Utility	Water Utility	Solid Waste Utility	Total Enterprise Utility
Operating revenues	\$ 523,259	\$ 663,878	\$ 275,913	\$ 1,463,050
Depreciation	220,323	99,226		319,549
Amortization			8,297	8,297
Income (loss) from operations	21,702	(26,813)	30,549	25,438
Non-operating revenues (expenses)	(89,319)	9,395	(11,398)	(91,322)
Operating transfers:				
In				
Out	(23,000)	(23,000)	(11,000)	(57,000)
Net income (loss)	(67,617)	(17,418)	19,151	(65,884)
Property, plant, and equipment:				
Additions	28,193	11,469		39,662
Deductions				
Working capital	1,432,727	627,635	344,040	2,404,402
Total assets	7,370,749	3,741,192	486,789	11,598,730
Long-term liabilities	903,377			903,377
Total equity:				
Contributed capital	5,007,359	3,119,452		8,126,811
Retained earnings	1,255,888	516,004	413,668	2,185,560

NOTE O--DOWNTOWN DEVELOPMENT AUTHORITY

The Township established a Downtown Development Authority pursuant to Public Act 197 of 1975, as amended, by adoption of Township Ordinance 040886. Township Ordinance 050587 adopted and approved a Development Plan and a Tax Increment Financing Plan for the Township's Downtown Development Area. Both of these Ordinances have been amended in subsequent years.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE O--DOWNTOWN DEVELOPMENT AUTHORITY--Continued

The current Development Area consists of approximately 740 acres of land. Improvements to the Development Area consist of water and sewer system extensions, wastewater treatment capacity, and road extensions. The cost of most improvements is financed by tax increment revenues, Downtown Development General Obligation Bonds, and unbonded debt agreements.

The Downtown Development Authority is accounted for as a discretely presented component unit. Upon completion of the projects, assets are transferred to the Water Fund and the Wastewater Fund as appropriate.

NOTE P--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Township currently has employed a cooperative action agreement with the Michigan Township Participating Plan in order to manage these risks.

The purpose of the agreement is to jointly exercise powers common to each participating member; to prevent or lessen the incidence and severity of casualty losses occurring in the operations of members; and to defend and protect, in accordance with the agreement, any member against liability or loss. The Township's membership provides them with coverage in the following risk areas: property damage, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, and boiler. Through its membership in the Plan, the Township does not assume indemnification or responsibility for the debts or claims against other members.

Workers' compensation risks are covered by a policy with the Accident Fund of Michigan.

Certain other risks, such as damage to underground pipes, are borne by the Township. The Township believes that the amount of actual or potential claims, if any, against the Township as of December 31, 2003, are not material to the financial statements. Therefore, no provision for estimated claims is included in the financial statements.

NOTE Q--COMMITMENTS

The Michigan Department of Environmental Quality mandated that the DDA create a \$31,600 Irrevocable Standby Letter of Credit in their favor for financial assurance to the State of Michigan for the completion of wetland mitigation required in Permit No. 99-03-0138. The Letter of Credit is in effect until January 31, 2005.

SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
BUDGET AND ACTUAL

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 533,488	\$ 535,827	\$ 2,339
Licenses, permits, and fees	2,900	2,838	(62)
State revenue sharing	267,261	263,967	(3,294)
Charges for services	1,520	1,471	(49)
Interest income	6,200	5,451	(749)
Other	26,435	618,007	591,572
TOTAL REVENUES	837,804	1,427,561	589,757
EXPENDITURES:			
Legislative:			
Township Board:			
Salaries and wages		12,000	
Employee benefits and payroll taxes		946	
Supplies		491	
Contracted services		4,843	
Travel		398	
Other services		19,179	
TOTAL TOWNSHIP BOARD	37,877	37,857	20
Professional Services	32,867	32,859	8
TOTAL LEGISLATIVE	70,744	70,716	28
General Government:			
Supervisor:			
Salaries and wages		11,000	
Employee benefits and payroll taxes		944	
Travel			
TOTAL SUPERVISOR	11,950	11,944	6
Township Manager:			
Salaries and wages		54,258	
Employee benefits and payroll taxes		21,680	
Supplies			
Travel		34	
Other services		60	
TOTAL TOWNSHIP MANAGER	76,079	76,032	47

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Elections:			
Salaries and wages			
Supplies			
Contracted services			
Other services			
TOTAL ELECTIONS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Assessor:			
Salaries and wages		70,117	
Employee benefits and payroll taxes		31,297	
Supplies		400	
Contracted services		8,560	
Travel		35	
Other services		41	
TOTAL ASSESSOR	<u>110,549</u>	<u>110,450</u>	<u>99</u>
Clerk:			
Salaries and wages		43,563	
Employee benefits and payroll taxes		19,415	
Supplies		405	
Contracted services		2,116	
Travel		10	
Other services		10	
TOTAL CLERK	<u>65,659</u>	<u>65,519</u>	<u>140</u>
Board of Review:			
Salaries and wages		960	
Employee benefits and payroll taxes		83	
Other services		52	
TOTAL BOARD OF REVIEW	<u>1,145</u>	<u>1,095</u>	<u>50</u>

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Treasurer:			
Salaries and wages		\$ 25,935	
Employee benefits and payroll taxes		10,228	
Supplies		824	
Contracted services		409	
Travel		353	
Other services		41	
TOTAL TREASURER	\$ 37,812	37,790	\$ 22
Building and Grounds:			
Salaries and wages		20,102	
Employee benefits and payroll taxes		12,610	
Supplies		2,852	
Contracted services		1,639	
Travel		372	
Other services		12,966	
TOTAL BUILDING AND GROUNDS	50,577	50,541	36
Unallocated:			
Salaries and wages		34,835	
Employee benefits and payroll taxes		17,396	
Supplies		4,327	
Contracted services		8,190	
Travel		68	
Interest			
Other services		21,289	
TOTAL UNALLOCATED	86,109	86,105	4
TOTAL GENERAL GOVERNMENT	439,880	439,476	404
Public Safety:			
Law Enforcement:			
Contracted services		141,658	
Other services			
TOTAL LAW ENFORCEMENT	141,700	141,658	42

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Planning:			
Salaries and wages		\$ 49,981	
Employee benefits and payroll taxes		21,036	
Supplies		397	
Contracted services		16,271	
Travel		547	
Other services			
TOTAL PLANNING	\$ 88,163	88,232	\$ (69)
Zoning Board of Appeals:			
Salaries and wages		450	
Employee benefits and payroll taxes		53	
Travel			
Other services		127	
TOTAL ZONING BOARD OF APPEALS	702	630	72
TOTAL PUBLIC SAFETY	230,565	230,520	45
Public Works:			
Street Lighting--Other services	12,050	12,018	32
Street Signs--Other services	1,200	384	816
TOTAL PUBLIC WORKS	13,250	12,402	848
Recreation:			
Recreation Facilities			
Salaries and wages		3,380	
Employee benefits and payroll taxes		355	
Supplies		586	
Other services		5,949	
TOTAL RECREATION FACILITIES	10,713	10,270	443
Library	82,793	82,793	
TOTAL RECREATION	93,506	93,063	443

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Capital Outlay	\$ 29,998	\$ 616,312	\$ (586,314)
Debt Services:			
Principal	40,098	40,098	
Interest	22,351	22,351	
TOTAL DEBT SERVICES	<u>62,449</u>	<u>62,449</u>	<u>0</u>
TOTAL EXPENDITURES	<u>940,392</u>	<u>1,524,938</u>	<u>(584,546)</u>
EXCESS REVENUES (EXPENDITURES)	<u>(102,588)</u>	<u>(97,377)</u>	<u>5,211</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	72,208	72,208	
Operating transfers out	<u>(41,715)</u>	<u>(41,715)</u>	
TOTAL OTHER FINANCING USES	<u>30,493</u>	<u>30,493</u>	<u>0</u>
EXCESS REVENUES (EXPENDITURES)			
AND OTHER FINANCING USES	<u>(72,095)</u>	<u>(66,884)</u>	<u>5,211</u>
Fund balance at beginning of year	<u>146,041</u>	<u>146,041</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$ 73,946</u></u>	<u><u>\$ 79,157</u></u>	<u><u>\$ 5,211</u></u>

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

	Fire	Liquor Law Enforcement	Township Improvement	Total
ASSETS				
Cash and cash equivalents	\$ 408,450	\$ 4,587	\$ 191,657	\$ 604,694
Receivables	236,980			236,980
Due from other funds				
Prepaid expense	1,166			1,166
TOTAL ASSETS	\$ 646,596	\$ 4,587	\$ 191,657	\$ 842,840
LIABILITIES				
Accounts payable	\$ 28,413		\$ 2,855	\$ 31,268
Accrued wages payable	2,872			2,872
Deferred revenue	279,586			279,586
TOTAL LIABILITIES	310,871	\$ 0	2,855	313,726
FUND EQUITY				
Fund balance:				
Designated			188,802	188,802
Undesignated	335,725	4,587		340,312
TOTAL FUND EQUITY	335,725	4,587	188,802	529,114
TOTAL LIABILITIES AND FUND EQUITY	\$ 646,596	\$ 4,587	\$ 191,657	\$ 842,840

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Fire	Liquor Law Enforcement	Township Improvement	Total
REVENUES				
Taxes	\$ 267,874			\$ 267,874
Federal Grants	75,760			75,760
Licenses, permits, and fees		\$ 4,689		4,689
Charges for services	12,512			12,512
Interest income	6,160	33	\$ 4,532	10,725
Other	1,000			1,000
TOTAL REVENUES	363,306	4,722	4,532	372,560
EXPENDITURES				
Current:				
General government	13,987		1,560	15,547
Public safety	149,319			149,319
Public works				0
Capital outlay	97,883		21,018	118,901
TOTAL EXPENDITURES	261,189	0	22,578	283,767
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	102,117	4,722	(18,046)	88,793
OTHER FINANCING SOURCES (USES)				
Operating transfers in			41,715	41,715
Operating transfers out	(4,000)	(4,688)		(8,688)
Fire protection charge	(20,000)			(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	(24,000)	(4,688)	41,715	13,027
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	78,117	34	23,669	101,820
Fund balances at beginning of year	257,608	4,554	165,132	427,294
FUND BALANCES AT END OF YEAR	\$ 335,725	\$ 4,588	\$ 188,801	\$ 529,114

FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 265,379	\$ 267,874	
Federal Grants	96,272	75,760	
Charges for services	5,440	12,512	
Interest income	6,100	6,160	
Other	250	1,000	
TOTAL REVENUES	373,441	363,306	\$ (10,135)
EXPENDITURES:			
General Government:			
Building and grounds:			
Salaries and wages		1,082	
Employee benefits and payroll taxes		119	
Supplies		624	
Other services		12,162	
TOTAL GENERAL GOVERNMENT	15,938	13,987	1,951
Public Safety:			
Administration			
Salaries and wages		64,110	
Employee benefits and payroll taxes		21,579	
Supplies		2,104	
Contracted services		3,517	
Travel		2,931	
Education		178	
Other services		6,201	
TOTAL ADMINISTRATION	111,917	100,620	11,297
Firefighting:			
Salaries and wages		28,068	
Employee benefits and payroll taxes		3,185	
Supplies		1,748	
Contracted services		346	
Other services		4,264	
TOTAL FIREFIGHTING	42,070	37,611	4,459

FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Vehicles--Other services	\$ 14,675	\$ 11,088	\$ 3,587
TOTAL PUBLIC SAFETY	168,662	149,319	19,343
Contingency			
Capital Outlay	124,272	97,883	26,389
TOTAL EXPENDITURES	308,872	261,189	47,683
EXCESS REVENUES	64,569	102,117	37,548
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out	(4,000)	(4,000)	
Fire protection charge	(20,000)	(20,000)	
TOTAL OTHER FINANCING USES	(24,000)	(24,000)	0
EXCESS REVENUES OVER (UNDER)			
EXPENDITURES AND OTHER FINANCING USES	40,569	78,117	37,548
Fund Balance at beginning of year	257,607	257,607	
FUND BALANCE AT END OF YEAR	\$ 298,176	\$ 335,724	\$ 37,548

ENTERPRISE FUNDS
COMBINING BALANCE SHEET

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

	<u>Wastewater</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Metro Authority</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,364,096	\$ 689,680	\$ 349,195	\$ 1,144	\$ 2,404,115
Receivables:					
Special assessments	215,730				215,730
Trade accounts	34,110	8,435	23,843		66,388
Note					0
Due from other funds					0
Prepaid expenses	22,916	35,256	139		58,311
	<u>1,636,852</u>	<u>733,371</u>	<u>373,177</u>	<u>1,144</u>	<u>2,744,544</u>
Restricted assets--Cash with paying agent					0
Property, plant, and equipment:					
Buildings and improvements	5,838,605	883,119			6,721,724
Machinery and equipment	1,982,058	3,777,872	1,086		5,761,016
Vehicles	57,623	57,623			115,246
Accumulated depreciation	(2,356,588)	(1,710,793)	(1,086)		(4,068,467)
Investment in wastewater treatment plant	212,199				212,199
Investment in landfill authority			113,612		113,612
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>5,733,897</u>	<u>3,007,821</u>	<u>113,612</u>	<u>0</u>	<u>8,855,330</u>
 TOTAL ASSETS	<u><u>\$ 7,370,749</u></u>	<u><u>\$ 3,741,192</u></u>	<u><u>\$ 486,789</u></u>	<u><u>\$ 1,144</u></u>	<u><u>\$ 11,599,874</u></u>

	Wastewater	Water	Solid Waste	Metro Authority	Total
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 22,833	\$ 47,183	\$ 14,486		\$ 84,502
Deposits payable		44,342	7,912		52,254
Accrued payroll expense	3,988	3,034	(13)		7,009
Accrued sick and vacation	11,177	11,177			22,354
Interest payable	5,889				5,889
Current portion of long-term debt	160,238		6,752		166,990
TOTAL CURRENT LIABILITIES	204,125	105,736	29,137	0	338,998
Long-term liabilities:					
Bonds payable, net of current portion	903,377		43,984		947,361
TOTAL LIABILITIES	1,107,502	105,736	73,121	0	1,286,359
FUND EQUITY					
Contributed capital	5,007,359	3,119,452			8,126,811
Retained earnings:					
Designated		98,020			98,020
Undesignated	1,255,888	417,984	413,668	1,144	2,088,684
TOTAL FUND EQUITY	6,263,247	3,635,456	413,668	1,144	10,313,515
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 7,370,749</u>	<u>\$ 3,741,192</u>	<u>\$ 486,789</u>	<u>\$ 1,144</u>	<u>\$ 11,599,874</u>

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Wastewater	Water	Solid Waste	Metro Authority
OPERATING REVENUES				
Charges for services	\$ 394,553	\$ 606,720	\$ 163,161	
Licenses, permits, and fees	99,238	46,130		\$ 1,134
Fines	1,459	1,476	760	
Other	28,009	9,552	111,992	
TOTAL OPERATING REVENUES	523,259	663,878	275,913	1,134
OPERATING EXPENSES				
Salaries and wages	104,049	116,181	12,745	
Employee benefits and payroll taxes	58,295	59,429	7,444	
Supplies	8,174	3,612	200	
Contracted services	2,338	140,339	677	
Travel	1,660	2,661		
Community promotion			20,730	
Other services	106,718	269,243	195,271	
Depreciation	220,323	99,226	0	
Amortization			8,297	
TOTAL OPERATING EXPENSES	501,557	690,691	245,364	0
OPERATING INCOME (LOSS)	21,702	(26,813)	30,549	1,134
NON-OPERATING REVENUES (EXPENSES)				
Interest income	46,790	12,395	3,780	10
Interest and fiscal charges	(71,236)		(4,178)	
Loss on investment in Marquette Area Wastewater Treatment Plant	(41,873)			
Operating transfers in				
Operating transfers out	(23,000)	(23,000)	(11,000)	
Fire protection charges		20,000		
TOTAL NON-OPERATING REVENUES (EXPENSES)	(89,319)	9,395	(11,398)	10
NET INCOME (LOSS)	(67,617)	(17,418)	19,151	1,144
Retained earnings at beginning of year	1,134,440	465,422	394,517	0
Amortization of contributed capital	189,065	68,000		
RETAINED EARNINGS AT END OF YEAR	\$ 1,255,888	\$ 516,004	\$ 413,668	\$ 1,144

ENTERPRISE FUNDS
COMBINING STATEMENT OF CHANGES IN EQUITY

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

Year Ended December 31, 2003

	Wastewater	Water	Solid Waste	Total
CAPITAL GRANTS FROM FEDERAL AND STATE GOVERNMENTS				
Balance at beginning of year	\$ 2,030,869	\$ 503,380		\$ 2,534,249
Amortization of contributed capital	(93,076)	(16,550)		(109,626)
BALANCE AT END OF YEAR	<u>\$ 1,937,793</u>	<u>\$ 486,830</u>	<u>\$ 0</u>	<u>\$ 2,424,623</u>
CONTRIBUTIONS FROM CUSTOMERS				
Balance at beginning of year	\$ 1,658,722	\$ 743,888		\$ 2,402,610
Amortization of contributed capital	(40,162)	(17,065)		(57,227)
BALANCE AT END OF YEAR	<u>\$ 1,618,560</u>	<u>\$ 726,823</u>	<u>\$ 0</u>	<u>\$ 2,345,383</u>
CONTRIBUTIONS FROM FEDERAL AND STATE GOVERNMENTS--WASTEWATER TREATMENT PLANT				
Balance at beginning of year	\$ 42,433			\$ 42,433
Amortization of contributed capital	(28,637)			(28,637)
BALANCE AT END OF YEAR	<u>\$ 13,796</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,796</u>
CONTRIBUTIONS FROM DDA				
Balance at beginning of year	\$ 1,156,788	\$ 1,457,575		\$ 2,614,363
Current year additions	307,612	482,608		790,220
Amortization of contributed capital	(27,190)	(34,384)		(61,574)
BALANCE AT END OF YEAR	<u>\$ 1,437,210</u>	<u>\$ 1,905,799</u>	<u>\$ 0</u>	<u>\$ 3,343,009</u>
RETAINED EARNINGS				
Balance at beginning of year	\$ 1,134,440	\$ 465,422	\$ 394,517	\$ 1,994,379
Net income (loss) for the year	(67,617)	(17,418)	19,151	(65,884)
Depreciation on fixed assets acquired with grants	189,065	68,000		257,065
BALANCE AT END OF YEAR	<u>\$ 1,255,888</u>	<u>\$ 516,004</u>	<u>\$ 413,668</u>	<u>\$ 2,185,560</u>

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Wastewater	Water	Solid Waste	Metro Authority	Total
CASH FLOWS FROM (USED BY)					
OPERATING ACTIVITIES					
Net cash received from fees and charges for services	\$ 445,661	\$ 605,825	\$ 150,338	\$ 1,134	\$ 1,202,958
Other operating revenues	128,706	57,158	112,752		298,616
Cash payments to employees for services	(166,254)	(172,688)	(20,612)		(359,554)
Cash payments to suppliers for goods and services	(128,406)	(413,822)	(219,613)		(761,841)
NET CASH FROM OPERATING ACTIVITIES	279,707	76,473	22,865	1,134	380,179
NON-CAPITAL FINANCING ACTIVITIES					
Operating transfers out	(23,000)	(23,000)	(11,000)		(57,000)
Fire protection charges		20,000			20,000
Payments on note receivable from component unit	225,114				225,114
NET CASH FROM (USED BY)					
NON-CAPITAL FINANCING ACTIVITIES	202,114	(3,000)	(11,000)	0	188,114
CAPITAL-RELATED FINANCING					
Increase in investment in wastewater treatment facility	(28,000)				(28,000)
Acquisition of capital assets	(33,266)	(30,485)			(63,751)
Principal payments on long-term debt	(145,375)		(6,172)		(151,547)
Interest and fiscal payments on long-term debt	(71,236)		(4,178)		(75,414)
NET CASH USED BY CAPITAL-RELATED FINANCING	(277,877)	(30,485)	(10,350)	0	(318,712)
INVESTING ACTIVITIES--Interest income	46,790	12,395	3,780	10	62,975
NET INCREASE IN CASH AND CASH EQUIVALENTS	250,734	55,383	5,295	1,144	312,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,113,362	634,297	343,900	0	2,091,559
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,364,096</u>	<u>\$ 689,680</u>	<u>\$ 349,195</u>	<u>\$ 1,144</u>	<u>\$ 2,404,115</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM (USED BY) OPERATING ACTIVITIES					
Operating income (loss)	\$ 21,702	\$ (26,813)	\$ 30,549	\$ 1,144	\$ 26,582
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	220,323	99,226	8,297		327,846
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	51,108	(895)	(13,400)		36,813
(Increase) decrease in prepaid expenses	(19,042)	(11,684)	332		(30,394)
Decrease in due from other funds			577		577
Increase (decrease) in accounts payable	9,526	17,856	(2,292)		25,090
Increase (decrease) in security deposits payable		1,705	(775)		930
Increase (decrease) in accrued wages and related benefits	(3,910)	(2,922)	(423)		(7,255)
TOTAL ADJUSTMENTS	258,005	103,286	(7,684)	0	353,607
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 279,707</u>	<u>\$ 76,473</u>	<u>\$ 22,865</u>	<u>\$ 1,134</u>	<u>\$ 380,189</u>

WASTEWATER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services		\$ 394,553	
Licenses, permits, and fees		99,238	
Fines		1,459	
Other		28,009	
TOTAL OPERATING REVENUES	\$ 473,438	523,259	\$ 49,821
OPERATING EXPENSES			
Administration:			
Salaries and wages		30,418	
Employee benefits and payroll taxes		15,559	
Supplies		969	
Contracted services		1,901	
Travel		1,660	
Other services		2,371	
TOTAL ADMINISTRATION	66,214	52,878	13,336
Customer Meters--Supplies	100		100
Sewer System Salaries:			
Salaries and wages		73,631	
Employee benefits and payroll taxes		42,736	
TOTAL SEWER SYSTEM SALARIES	127,065	116,367	10,698
Wastewater Collection System:			
Supplies		75	
Other services		14,219	
TOTAL WASTEWATER COLLECTION SYSTEM	11,900	14,294	(2,394)
Wastewater Meter/Interceptor:			
Supplies			
Other services		352	
TOTAL WASTEWATER METER/INTERCEPTOR	3,257	352	2,905

WASTEWATER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
General Service:			
Supplies		\$ 624	
Contracted services		437	
Other services		10,053	
TOTAL GENERAL SERVICE	\$ 11,335	11,114	\$ 221
Wastewater Treatment Plant--Other services	101,461	66,918	34,543
Garage:			
Supplies		261	
Other services		2,529	
TOTAL GARAGE	4,550	2,790	
Liftstations:			
Supplies		4,283	
Other services		8,005	
TOTAL LIFTSTATIONS	14,000	12,288	1,712
Grinder Pumps:			
Supplies		742	
Other services		1,858	
TOTAL GRINDER PUMPS	7,500	2,600	4,900
Tools--Equipment:			
Supplies		769	
Other services		378	
TOTAL TOOLS--EQUIPMENT	1,500	1,147	353
Wastewater Services, Laterals:			
Supplies		451	
Other services		35	
TOTAL WASTEWATER SERVICES, LATERALS	2,300	486	1,814

WASTEWATER FUND
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Depreciation	\$ 84,898	\$ 220,323	\$ (135,425)
TOTAL OPERATING EXPENSES	436,080	501,557	(67,237)
OPERATING INCOME	37,358	21,702	(17,416)
NON-OPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(45,365)	(71,236)	
Operating transfer out	(23,000)	(23,000)	
Loss on investment in Marquette Area			
Wastewater Treatment Plant		(41,873)	
Interest income	38,875	46,790	
TOTAL NON-OPERATING EXPENSES	(29,490)	(89,319)	0
NET INCOME (LOSS)	7,868	(67,617)	(17,416)
Retained earnings at beginning of year	1,134,440	1,134,440	
Amortization of contributed capital	189,065	189,065	
RETAINED EARNINGS AT END OF YEAR	<u>\$ 1,331,373</u>	<u>\$ 1,255,888</u>	<u>\$ (17,416)</u>

WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Charges for services		\$ 606,720	
Licenses, permits, and fees		46,130	
Fines		1,476	
Other		9,552	
TOTAL OPERATING REVENUES	<u>\$ 591,465</u>	<u>663,878</u>	<u>\$ 72,413</u>
OPERATING EXPENSES			
Administration:			
Salaries and wages		30,418	
Employee benefits and payroll taxes		15,559	
Supplies		1,047	
Contracted services		26,363	
Travel		2,661	
Other services		5,392	
TOTAL ADMINISTRATION	<u>75,448</u>	<u>81,440</u>	<u>(5,992)</u>
Master Meter:			
Supplies			
Contracted services		464	
TOTAL MASTER METER	<u>3,500</u>	<u>464</u>	<u>3,036</u>
Water Reservoirs:			
Supplies		42	
Contracted services		12,530	
Other services		3,156	
TOTAL WATER RESERVOIRS	<u>15,830</u>	<u>15,728</u>	<u>102</u>
Water System Salaries:			
Salaries and wages		85,763	
Employee benefits and payroll taxes		43,870	
TOTAL WATER SYSTEM SALARIES	<u>127,065</u>	<u>129,633</u>	<u>(2,568)</u>

WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Water Pumping Stations:			
Supplies		\$ 182	
Contracted services		97,758	
Other services		14,359	
TOTAL WATER PUMPING STATIONS	<u>\$ 117,700</u>	<u>112,299</u>	<u>\$ 5,401</u>
T&D Mains:			
Supplies		123	
Contracted services		579	
Other services		229,983	
TOTAL T&D MAINS	<u>195,087</u>	<u>230,685</u>	<u>(35,598)</u>
Customer Meters:			
Supplies		188	
Other services		1,275	
TOTAL CUSTOMER METERS	<u>6,800</u>	<u>1,463</u>	<u>5,337</u>
T&D Services:			
Supplies		282	
Other services		1,291	
TOTAL T&D SERVICES	<u>4,800</u>	<u>1,573</u>	<u>3,227</u>
Hydrants:			
Supplies		101	
Other services		725	
TOTAL HYDRANTS	<u>8,000</u>	<u>826</u>	<u>7,174</u>
General Service:			
Supplies		687	
Contracted services		437	
Other services		10,053	
TOTAL GENERAL SERVICE	<u>11,350</u>	<u>11,177</u>	<u>173</u>

WATER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2003

		<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Garage:				
Supplies			\$ 257	
Other services			2,541	
TOTAL GARAGE		<u>\$ 4,550</u>	<u>2,798</u>	<u>\$ 1,752</u>
Tools--Equipment:				
Supplies			703	
Other services			454	
TOTAL TOOLS--EQUIPMENT		<u>1,100</u>	<u>1,157</u>	<u>(57)</u>
Control Valves:				
Contracted services			2,208	
Other services			14	
TOTAL CONTROL VALVES		<u>2,460</u>	<u>2,222</u>	<u>238</u>
Depreciation			99,226	
TOTAL OPERATING EXPENSES		<u>573,690</u>	<u>690,691</u>	<u>(17,775)</u>
OPERATING LOSS		<u>17,775</u>	<u>(26,813)</u>	<u>54,638</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating transfer out		(23,000)	(23,000)	
Fire protection charges			20,000	
Interest income			12,395	
TOTAL NON-OPERATING EXPENSES		<u>(23,000)</u>	<u>9,395</u>	<u>0</u>
NET LOSS		<u>(5,225)</u>	<u>(17,418)</u>	<u>54,638</u>
Retained earnings at beginning of year		465,422	465,422	
Amortization of contributed capital		<u>68,000</u>	<u>68,000</u>	
RETAINED EARNINGS AT END OF YEAR		<u><u>\$ 528,197</u></u>	<u><u>\$ 516,004</u></u>	<u><u>\$ 54,638</u></u>

SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS--BUDGET AND ACTUAL

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services		\$ 163,161	
Fines		760	
Other		111,992	
TOTAL OPERATING REVENUES	\$ 280,611	275,913	\$ (4,698)
OPERATING EXPENSES			
Sanitary Landfill--Other services	145,088	130,977	14,111
Waste/Refuse Collect and Disposal:			
Salaries and wages		12,745	
Employee benefits and payroll taxes		7,444	
Supplies		200	
Contracted services		677	
Community promotion		20,730	
Other services		64,294	
TOTAL WASTE/REFUSE COLLECT AND DISPOSAL	101,875	106,090	(4,215)
Depreciation			0
Amortization	17,178	8,297	8,881
TOTAL OPERATING EXPENSES	264,141	245,364	18,777
OPERATING INCOME	16,470	30,549	14,079
NON-OPERATING REVENUES (EXPENSES)			
Interest and fiscal charges		(4,178)	
Operating transfer out	(11,000)	(11,000)	
Interest income		3,780	
TOTAL NON-OPERATING EXPENSES	(11,000)	(11,398)	
NET INCOME	5,470	19,151	14,079
Retained earnings at beginning of year	394,517	394,517	
RETAINED EARNINGS AT END OF YEAR	\$ 399,987	\$ 413,668	\$ 14,079

AGENCY FUNDS
COMBINING BALANCE SHEET

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

	<u>Agency</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS--Cash and cash equivalents	<u>\$ 10,579</u>	<u>\$ 344,692</u>	<u>\$ 355,271</u>
LIABILITIES			
Due to other funds	\$ 714	\$ 3,034	\$ 3,748
Due to other governmental units	3,701	341,658	345,359
Other	<u>6,164</u>	<u></u>	<u>6,164</u>
TOTAL LIABILITIES	<u>\$ 10,579</u>	<u>\$ 344,692</u>	<u>\$ 355,271</u>

DETAILS OF LONG-TERM DEBT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

Marquette Area Wastewater Treatment Plant
General Long-Term Obligations Account Group
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2004	\$ 1,465	\$ 13,225	\$ 1,465	\$ 16,155
2005	1,181	13,653	1,181	16,015
2006	887	13,653	887	15,427
2007	594	13,653	594	14,841
2008	300	13,653	300	14,253
	<u>\$ 4,427</u>	<u>\$ 67,837</u>	<u>\$ 4,427</u>	<u>\$ 76,691</u>

Badger Creek Drain Bonds
General Long-Term Obligations Account Group
Bonds Payable

Payable In Year	April 1			October 1 Interest	Interest Rate	Total
	Principal	Interest	Fees			
2004	\$ 43,441	\$ 10,400	\$ 267	\$ 8,989	\$ 7	\$ 63,097
2005	46,781	8,989	267	7,445	6.60	63,482
2006	50,123	7,445	267	5,765	6.70	63,600
2007	53,463	5,765	267	3,948	6.80	63,443
2008	56,805	3,948	267	1,988	6.90	63,008
2009	56,805	1,993	267		7.00	59,065
	<u>\$ 307,418</u>	<u>\$ 38,540</u>	<u>\$ 1,602</u>	<u>\$ 28,135</u>		<u>\$ 375,695</u>

DETAILS OF LONG-TERM DEBT--Continued
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

Sewer Interceptor Capital Lease Obligation
Wastewater Fund
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2004	\$ 910	\$ 8,217	\$ 910	\$ 10,037
2005	734	8,482	734	9,950
2006	551	8,482	551	9,584
2007	369	8,482	368	9,219
2008	187	8,482	187	8,856
	<u>\$ 2,751</u>	<u>\$ 42,145</u>	<u>\$ 2,750</u>	<u>\$ 47,646</u>

Sewage Disposal System No. 1
Wastewater Fund
Refunding Bonds--Limited Tax, Series 1998A

Payable In Year	May 1		November 1	Total
	Principal	Interest	Interest	
2004	\$ 152,020	\$ 14,139	\$ 28,534	\$ 194,693
2005	165,413	23,182	24,502	213,097
2006	162,946	19,076	20,451	202,473
2007	160,459	15,103	16,346	191,908
2008	155,726	11,309	12,218	179,253
2009	153,352	7,609	7,928	168,889
2010	150,810	4,105	1,800	156,715
2011	80,000	1,800		81,800
	<u>\$ 1,180,726</u>	<u>\$ 96,323</u>	<u>\$ 111,779</u>	<u>\$ 1,388,828</u>

DETAILS OF LONG-TERM DEBT--Continued
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2003

Marquette County Solid Waste Facility
Solid Waste Fund
Bonds Payable

Payable In Year	May 1		November 1 Interest	Total
	Interest	Principal		
2004	\$ 1,729	\$ 6,751	\$ 1,549	\$ 10,029
2005	1,539	7,331	1,341	10,211
2006	1,331	8,102	926	10,359
2007	921	8,681	699	10,301
2008	694	9,453	260	10,407
2009	260	10,418		10,678
	<u>\$ 6,474</u>	<u>\$ 50,736</u>	<u>\$ 4,775</u>	<u>\$ 61,985</u>



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Township Board
Charter Township of Marquette
Marquette, Michigan

We have audited the general purpose financial statements of the Charter Township of Marquette, Marquette, Michigan, as of and for the year ended December 31, 2003, and have issued our report thereon dated March 30, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Charter Township of Marquette's general purpose financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Marquette's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the general purpose financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Township Board
Charter Township of Marquette

This report is intended solely for the information and use of the Township Board, management, and federal and state audit agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Makela, Poutant, Hill & Nardi, P.C.

March 30, 2004